

FISCAL NOTE
HB 125 - SB 384

February 14, 2005

SUMMARY OF BILL: Requires all state contractors and subcontractors to provide health insurance coverage to all employees who would be providing services under the state contract or subcontract. Level of insurance must meet the minimum requirements of a basic health care plan pursuant to the Small Employer Group Health Coverage Reform Act.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures – Net Impact - Exceeds \$19,000,000 Recurring
\$20,000 One-Time**

Other Fiscal Impact – Decrease Federal Expenditures – Exceeds \$8,000,000

Assumptions:

- Capital projects contracts in FY2005-06 is \$750.0 million.
- Personal services contracts in FY2005-06 are \$500.0 million.
- Approximately \$500.0 million (40%) is considered labor costs.
- 19% of expenditures for human resources are for health insurance premiums paid by employer (state benefit).
- If all contractors and subcontractors pay for their employees to have minimum levels of basic insurance, about \$95.0 million in costs would be for health insurance premiums (\$500.0 million X 19% = \$95.0 million).
- 25% of contractor or subcontractor employees are uninsured.
- 50% of uninsured are on TennCare resulting in \$3.9 million decrease in state expenditures and \$8.0 million decrease in federal expenditures.
- Estimated impact is a net increase in state expenditures of approximately \$19.9 million. This results from a decrease in state expenditures of \$3.9 million from the removal of TennCare enrollees, offset by a larger increase in state expenditures of \$23.8 million resulting from additional costs incurred by contractors or subcontractors that will be passed on to the state in the framework of future contracts.
- One-time expenditures of \$20,000 are estimated for computer programming changes in the Department of General Services.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



